1:Stanford U. S-4, 5 1956 AF14 Central China AF14

for their education and to share in inheritance of family property, the concubine rarely came with her Chinese mate when he returned to his native village.[43]

During the absence of the male head from his Chinese home, his wife usually acted as head of the household. She and her children were supported in great part by funds periodically remitted from abroad by the male head, and she had control of the dispersion of this and other family income derived from labor or property in the home village. The usual source of income at home was from agriculture.[44]

Although the economic status of emigrant families ranged from poor to wealthy, the overseas communities were on the whole wealthier than non-emigrant neighboring villages. The excess of the wealthier families' dual income was largely invested in land and houses.[45] When the Communists took over the area, they were faced with the problem of what attitude ought to be taken toward these landlord families whose income from abroad was a vital source of foreign exchange for the government.

Evidently, no special privileges or status

43. Ta Chen, Emigrant Communities in South China: A Study of Overseas Migration and Its Influence on Standards of Living and Social Change, ed. by Bruno Lasker, N. Y., Institute of Pacific Relations, 1940, pp. 140-43.

44. Ibid., pp. 58-85, 106-17.

45. Ibid., p. 110.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

457
668

were initially allowed members of such families, and their real property was expropriated on the same basis as that of any other element considered to be exploitive by the regime. On the other hand, the government exerted every effort to influence members of overseas families to write letters to their relatives abroad, setting forth the benefits of land reform and Communist reconstruction in order to woo overseas Chinese sympathy and investments in every way possible.[46]

The Communists did gain a favorable response from a part of the overseas element, but it was apparently not up to Communist needs and expectations, for various experiments and temporary shifts have marked the regime's subsequent policy toward the overseas Chinese and their dependents in China. New efforts to attract their sympathy were initiated in early 1955. Much publicity was given to the reclassification of overseas landlords as "no longer enemies of the state" before the expiration of their five-year probationary period. Buildings expropriated from overseas Chinese for government use were reportedly being returned to their former owners or paid for. The press reiterated the theme that measures were being taken to assure the right to ownership of overseas remittances and their delivery into the proper hands.[47]

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46. C.B., 211, p. 40.

47. See section entitled, "Overseas Chinese" in S.C.M.P. during the first six months of 1955; for instance, 985, p. 15.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

could be organized out of the surplus farm labor in order to serve in Korea. Second, in order to stabilize their political power in China Mainland, it was necessary for the Communists first to gain completed control of the rural masses, who constitute about 80 per cent of the entire population. The only weapon which the Communists could use was "land reform."

Generally speaking, the farm size, after "land reform," was more or less equalized. Although the average amount of land held per capita was a little over two shih-mou (1/3 acre) in Central-South China as a whole, in the over-populated areas, the per capita land holdings was even lower than the average.

Regarding the disposition of the ex-landlords, a set of new regulations, promulgated by the Kwangtung People's Government in January 1955, provided favorable treatment for the ex-landlord class among the overseas Chinese families.[11] The essential features of the "favorable treatment" are as follows:[12] (1) the period of "reform through labor" for

11. Ta-kung Pao [Ta-kung Daily], Hong Hong, January 23, 1955.
12. Ibid.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

565
457.

such landlords would be shortened from five years to a year and a half if they had been law abiding and had the support of the rural masses of their own communities; (2) after such "favorable treatment," they were required to write to their overseas relatives about their own experiences; and (3) they were required to participate in productive activities immediately.

The chief motive of the "favorable treatment" was to encourage more overseas Chinese to send funds to Communist China, hoping that such funds would strengthen the national treasury.[13] It was reported that even the overseas Chinese families who had fled to Hong Kong or Macao during the climax of the Land Reform Movement were also eligible for such treatment.

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13. In pre-Communist days, the total overseas Chinese remittance constituted from 40 to 50 per cent of China's total international receipts. The amount increased from $93,300,000 U.S. in 1935 to $200,000,000 in 1938. (See C. F. Remer, Foreign Investments in China, Shanghai, Commercial Press, 1933, p. 208; and Tsu-kuo chou-k'an (China Weekly), Hong Hong, No. 120, April 18, 1955, p. 12.) But according to the most recent estimate, the total overseas remittance in 1954 was less than $20,000,000 (Ch'en Yüan-huai, "Lun Chung-kung Ti Ch'iao-hui" ("On Communist China's Overseas Chinese Remittance), China Weekly, No. 120, April 18, 1955, p. 12.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

651 242

The agricultural tax is assessed on the basis of the gross income, taking little or no account of the cost involved in production. The system, if strictly enforced, will necessarily result in discouraging such improvements as the use of chemical fertilizers, the use of irrigation systems, etc. Chemical fertilizers have been more commonly used in many parts of Central-South China than in other parts of the country. Failure to allow for such costs of production in the tax system will necessarily mean discouragement to those who are making such improvements in their production.

651

In assessing the agricultural tax both for the regions with land reform and for the areas without land reform, the tax rates progress on the basis of the total income rather than by bracket. This could mean in some cases a payment of more tax by a taxpayer with less income than by one with more income.

IV. GOVERNMENT BONDS

652

In 1950, 100,000,000 fen (one fen or unit was worth approximately US$.75) of the Victory Bonds issued at 30 per cent or 30,000,000 fen, were allocated for subscription in Central-South China.[4] This quota is equivalent to two-thirds that of East China, and is twice as high as that of North China. This comparison seems to indicate that the burden of the government bond was relatively lower in North China than in either East or Central-South China.

V. REMITTANCES FROM ABROAD

457

One phase of the financial policy of the Chinese People's Government that has a special bearing

4. Tu-pao Shou-ts'e [Newspaper Reading Handbook], Hankow, 1950, p. 384.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

upon the people in Central-South China, particularly in the provinces of Fukien and Kwangtung, concerns the remittances from Chinese emigrants residing abroad. Many families of these emigrants rely upon remittances from abroad for their living in China. During the pre-war years, about US$100 million of such remittances were sent to China, mainly from the United States and Southeast Asia. After World War II, because of the Nationalist Government policy of overvaluing the Chinese currency in terms of foreign money, remittances through banks, which were only allowed on the basis of the unrealistic official exchange rate, became prohibitively expensive. Consequently, a large part of such remittances was routed through the black market. 457

After the Communists gained control of Central-South China in 1949, they encouraged such remittances from abroad with a view to strengthening their foreign-exchange reserve.

In the meantime, because of rigid controls under the Communist regime, transactions through the black market became all but impossible without risking heavy government penalty. Consequently, those who wished to continue their remittances to China would have virtually no other choice but to have recourse to the banks, which quote only official exchange rates.

A comparison between free market quotations in Hong Kong and official foreign exchange rates as quoted by banks in China indicated that, even as late as 1954, Chinese currency at its official rate had a value in foreign currency about 50 per cent higher than the corresponding rate quoted in the free

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

Hong Kong market. That is to say, all those who remitted funds to China through the banks would be liable to a tax equivalent to about 50 per cent of the amount remitted. This has put a great burden on all those in China who rely upon remittances from abroad for their living. 457

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

Hankow and then from Canton. 000

Two minor monetary institutions -- pawnshops and firms dealing with overseas remittances -- were treated in different ways; one monetary organization was liquidated and the other is being rigidly controlled. 426 652 Most pawnshops in Central-South China, particularly those in Hankow and Canton, were small but profitable because they charged exorbitant interest rates. The larger ones were operated less successfully because of the postwar inflation. The Communists considered the pawnshops a credit mechanism which had contact with the poor masses, and took steps to drive them out of business by requiring them to increase their capital and restricting the number of objects against which loans could be made.

By the end of 1952 only a small number of pawnshops had survived; at that time the last ones were ordered closed.

There had been fifty-four firms dealing with overseas remittances in Canton. 457 652 Realizing that these firms had close contact with the senders abroad and the recipients at home, and also that they had long experience in handling this kind of business, the Communists believed it necessary to keep them in operation for the purpose of securing foreign exchange. By special regulations governing firms engaged in overseas Chinese remittances, promulgated by the Communists in Canton, these firms were made agents of the government to handle overseas Chinese remittances; every transaction is under government control.

Thus the old banking structure was completely liquidated and the way was paved for the establishment of a Communist banking system.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

652

towns. Sub-branch offices in the larger cities consist of two business departments, one dealing with public organizations and the other with private individuals and firms.

At least 570 sub-branch offices are maintained at important political and communication centers in Central-South China. Some are charged with the duty of looking after a few other sub-branches and are designated as "central sub-branch offices." This organizational feature is temporary and may be discontinued when the special conditions surrounding its creation cease to exist. It is reported that there are five to nine central sub-branch offices in each province. Subordinate to the sub-branch offices are the agencies, sub-agencies, and stations in the towns and villages. In July 1951, the subordinate offices in the region were reported to total more than 3,000.

652
457

In several districts in Kwangtung Province, where there are no branch offices of the Bank of China and in which are located the home towns of many overseas Chinese, stations are established for the apparent purpose of rendering service to returned overseas Chinese, but aimed mainly at assuring "repatriation" of their capital.

B. Bank of China

The Bank of China was inaugurated as a central bank in 1912 and reorganized in 1928 as a special institution for dealing with foreign trade; half its →

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

652
457

capital was owned by the government. It had branches throughout the country and 19 branches abroad. Its old status was maintained after the Communists assumed control, and directors elected by private shareholders were recognized; the general manager and directors appointed by the previous regime were replaced by Communist appointees. The director general of the People's Bank serves concurrently as the chairman of the board. As a result of this change, the Bank of China has become a virtual subsidiary of the People's Bank.

The Bank of China is charged with the following functions:[2] (1) attention to matters concerning the control of for eign exchange; (2) handling of foreign exchange, foreign securities, bills of exchange, and other commercial documents payable in foreign currency; (3) extension of credits and acceptance of deposits in connection with foreign trade; (4) supervision of accounts and the clearance of foreign trade transactions conducted through government organizations; and (5) control of overseas remittances.

The head office of the Bank of China is in Peking; its branches in China, located at places benefiting from foreign trade or overseas remittances, were reduced to twenty-two, thirteen of which are in Central-South China: Hankow in Hupeh Province; Changsha in Hunan Province; Canton, Shen-ch'uan, Chiang-men, Shih-ch'i, Chan-chiang, and T'ai-shan in Kwangtung Province, Wu-chou, Liu-chou, and Nanning in Kwangsi Province; and Hai-k'ou (Hoihow) on Hainan Island.

Kwangtung has more foreign exchange business than any other province in this area because not only

2. Ching-chi Chou-pao[Economic Weekly] , No. 31, Shanghai.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

652
457

a large part of the trade between Hong Kong and the China Mainland passes through Canton, but also a great number of former Cantonese now residing overseas regularly send money back to their families or relatives. The Hoihow branch on Hainan Island also looks after overseas remittances. Foreign exchange transactions handled by the branches in Kwangsi increased recently when railway traffic between North Indochina and China was opened.

The allegiance of the overseas branches of the Bank of China was split: those located in countries which have recognized Communist China are now subject to the control of the head office in Peking, and the rest are controlled by the head office of the Bank of China in Formosa. The former are the branches in Hong Kong, London, Singapore, Penang, Kuala Lumpur, Calcutta, Bombay, Karachi, Chittagong, Rangoon, and Djakarta, and the latter are in Saigon, Phnom Penh, Bangkok, Osaka, Tokyo, Havana, New York, and Sydney.

C. Bank of Communications

652

The Bank of Communications was chartered in 1907 to promote the development of communications; in 1928 it was reorganized as a special institution to foster and develop industries and internal trade; 60 per cent of the capital was owned by the government. The Bank of Communications was allowed to continue operations under its old status, thus receiving the same "consideration" which the Communists had given the Bank of China. The directors representing private interests were recognized, while the directors representing public interest, the chairman of the board, and the general manager were replaced

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

savings deposits in Central South is not available.

The Communists regard overseas remittances to families of overseas Chinese in Kwangtung as an important source of deposits. Each family receiving remittances has to open a bank account, and always find drawing on it difficult. This has resulted in a decrease of remittances.

The government has attempted to attract to the bank the plentiful funds received in lump sums by peasants after they sell their harvest of grain and cotton to the government monopoly. The bait for deposits in the banks or credit co-operatives is a very high interest rate; it is 14.4 per cent for deposits under three months and 18 per cent for those of more than three months. But after the winter of 1954, only in Kiangsi Province did the deposits reach 30 per cent of the purchase proceeds; they were only 5 per cent in Honan Province, and much less in Hunan, Kwangtung, and Kwangsi.[10] Some peasants were afraid to expose their cash receipts, and others prefer to hoard commodities.

Different forms of bank transfers of funds within one city or between two different places are available. The limit of cash a person may legally carry when travelling is limited to PB$1 million, old currency (about US$40).[11]

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10. Ta-kung Pao [Ta-kung Daily], Tientsin January 3, 1955.

11. Cheng Chu-yüan, op. cit., p. 84.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

has been heavily censored. The major smuggling routes are from Shen-ch'uan (Shumchun) to the adjacent Kwangtung villages, and thence to Canton, from Macao to Shih-ch'i (Shekki), from Macao to Hsiang-shan, Fan-yü, and Ho-shan, and from Hong Kong to Ch'ao-chou and Swatow.[15] 439

CONTROL OF FOREIGN EXCHANGE

457 • Prior to the Communist regime some export commodities had been traded in Hankow along the Yangtze River and in Swatow along the South China coast. But the volume of foreign exchange transactions there remained comparatively small because most were carried out either in Shanghai or in Hong Kong. However, Canton had been the threshhold for the flight of capital in defiance of government control. Export commodities were shipped by railway to Canton and sold to local merchants for Hong Kong currency, which had a large circulation in Canton. The local merchants bought the commodities at a discount and trans-shipped to Hong Kong, surrendering the foreign exchange to the government banks. Meanwhile, people in Kwangtung Province received large amounts of overseas remittances, mostly through private banks or firms dealing in this business. These remittances then entered into the black market, constituting a main source of supply of foreign exchange for the black market. Both Hong Kong currency and the oversea remittances were convertible in the Hong Kong free market into any kind of foreign currency.

The Central-South China foreign-exchange control system, similar to that of North and East China,

15. Ibid.

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

aims to suppress the free market and to concentrate foreign-exchange transactions in the hands of the Bank of China. In addition, overseas remittances in Kwangtung Province were controlled more strictly. Firms and banks dealing in overseas remittances were ordered to turn over all the foreign-exchange to be remitted by them to the Bank of China in Hong Kong, accompanied by notification of the beneficiaries. Periodic reports itemizing the daily dealings are submitted to the local offices of the Bank of China. Recipients are encouraged to open accounts with the Bank of China or the People's Bank. However, ever since the outbreak of Korean hostilities remittances have been held by the bank, and the amounts which recipients can withdraw vary according to their financial condition as determined by the basic-level administrative organs. Recipients were forced to buy bonds or to give donations if the remittances exceeded limits of about one hundred American dollars. Large-scale interceptions of overseas remittances took place with the introduction of this measure, thereby plunging the families of overseas Chinese into destitution and discouraging the inflow of funds. The amount of each remittance has recently been reduced to between US$10-20.

While the possibility of using Hong Kong as a transit point for both overt and illicit trade with Kwangtung has probably worked to the advantage of Communist China, the free exchange market in Hong Kong has certain serious disadvantages from the Communist point of view. An indication of this situation is found in the possibility of trading in Communist China's currency in Hong Kong. Since currency export from China is prohibited,

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

457

the fact that it can be traded in the British colony signifies that it can be smuggled both into China and out of China, which, in this case, means primarily Kwangtung. Similarly, it is frequently possible to conduct remittances outside official Communist Chinese channels between Hong Kong, on the one hand, and Canton and Swatow in Kwangtung on the other. Quotations of black market exchange rates of Communist Chinese currency are usually available.[16]

Black-market transactions in Chinese currency in Hong Kong do not appear to have reached serious proportions so far, except for the period immediately after the Communists' occupation of Kwangtung and during the Korean conflict whenever Communist Chinese troops suffered reverses. However, such transactions pose a potential threat to Communist efforts to channel overseas Chinese remittances through the official Bank of China. The bulk of such remittances, which averaged $100,000,000 a year before the Sino-Japanese War, has Kwangtung as its destination.

In order to foster such remittances, strenuous efforts have occasionally been made by Communist China to grant them favorable treatment, including the institution, in the early phase of Communist rule, of favorable exchange rates and of various

16. See, for example, reports in the Far Eastern Economic Review, a Hong Kong publication.

1:Stanford U. S-4. 5 1956 AF14 Central China AF14

types of bank deposits, designed to protect the purchasing power of the deposit, which may be opened by recipients of such remittances. The Bank of China and the People's Bank of China have set up many local offices and agencies at such places as Szu-i, Mei-hsien, Hsing-ning, Hui-chou, Chungshan, Hai-lu-feng, Ch'ao-chou, and Swatow, while special services, such as the handling of trust matters and the tracing of lost relatives, are offered.[17] However, the attractiveness of fringe benefits is predicated upon the maintenance of the stability of Communist Chinese currency and the absence of any large divergence between the official and black-market exchange rates. Absence of official information on overseas remittances in Kwangtung, and continued sporadic activity on the Hong Kong exchange market, do not constitute a firm indication that all is well.

457

In view of the complaints by overseas Chinese, and of the rapid decrease of remittances, the Communist government on March 2, 1955, (New China News Agency, Peking, March 2, 1955) issued a State Council order affirming the right of free use of overseas remittances by recipients. It was stated that no individuals or entities may compel loans from dependents of overseas Chinese, withhold payment of their remittances, or encroach upon remittances on any pretext. However, the spirit of this order was impaired by another statement that overseas Chinese and their dependents were to be encouraged to invest in production or in

17. For discussion of this problem, see, for example, various articles in Ching-chi tao-pao [Economic Bulletin] as follows: [See next page.]

1:Stanford U. S-4, 5 1956 AF14 Central China AF14

state investment companies. This "encouragement," which means order in the Communist state, is bound to lead to encroachment upon the right to a free use of remittances. 457.

COMMENT

It would appear that the peculiar position of Kwangtung as the home of many overseas Chinese and the terminal of remittances from abroad has presented Communist Chinese authorities with the special problem of having to be at times relatively conciliatory to a particular group of the population; namely, the families of overseas Chinese. Although this attitude has not been consistently maintained, insofar as it has been evident it affords a rather interesting example of unequal treatment to different groups of the population and of the Communist authorities' tactical maneuvers for the sake of expediency. The need to be less repressive in order to induce a larger flow of inward remittances, and the attraction of a consistent policy of equal treatment to all groups for the valuable propaganda which results, constitute a dilemma that cannot be easily resolved. Occasionally, when the Communist authorities are compelled to use extortion methods to force overseas Chinese to send money home, as has been widely reported, they betray not only desperation but also a serious conflict of interests with established policy.

[Footnote No. 17 continued.]
No. 153, pp. 6-8, 13, Hong Kong, Jan. 10, 1950; No. 155, pp. 1-3, Jan. 31, 1950; No. 155, p. 18, Jan. 31, 1950; No. 160, pp. 12-13, Feb. 28, 1950; No. 160, p. 28, Feb. 28, 1950; No. 161, p. 12, Mar. 7, 1950; No. 163, pp. 7-8, Mar. 21, 1950; No. 164, pp. 15-16, Mar. 28, 1950; No. 167, pp. 1-3, April 18, 1950; No. 167, pp. 6-7, April 18, 1950; No. 168, pp. 7-8, 1950; No. 176, p. 17, June 20, 1950.